

CLEVELAND PUBLIC LIBRARY  
BUSINESS INFORMATION BUREAU  
CORPORATION FILE

# ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1943



## NATIONAL BISCUIT COMPANY





# NATIONAL BISCUIT COMPANY

449 West Fourteenth Street, New York

## *To the Stockholders:*

Gross sales in 1943 were \$199,063,850 compared with \$167,788,071 in 1942.

Earnings before Taxes in 1943 were \$24,806,866 compared with \$24,281,761 in 1942.

Federal and Foreign Income and Excess Profits Taxes, after credit for post-war refund, in the year 1943 amounted to \$14,209,504 compared with \$13,856,884 in 1942.

Net earnings in the year 1943, after Taxes, were \$10,597,362 compared with \$10,424,877 in 1942.

Gross sales for the year 1943 were \$31,275,779 greater than for 1942, and were the largest in the history of the Company, both in tonnage and dollars. Sales to the trade, as well as Government sales, made new high records. There was not a commensurate increase in net earnings, however, due to the fact that our costs of raw ma-

terials, supplies and labor have greatly increased, while the selling prices of our products are limited by Government ceilings.

Credits for United States and Canadian Excess Profits Taxes refundable after the war are indicated in the Income Statement, but, instead of being carried to Earned Surplus, have been transferred to Post-War Contingent Reserve, as shown in the Balance Sheet.

Sales volume of our foreign subsidiaries exceeded that of 1942. Earnings from such sales were 10% of the Company's total net earnings.

For comparative purposes we continue to include the earnings from operations of our foreign subsidiaries at the former par of exchange, but reduce them to the current rates through the Foreign Exchange Adjustment Account, so that the net results are finally in-



cluded in the Consolidated Income Statement in equivalent U. S. Dollars.

Foreign investments of the Company located in Canada and England are included in the Consolidated Balance Sheet and at the close of the year amounted to \$5,277,000. Operations in both countries were maintained throughout the year without serious interruptions. The Company continued its practice of withdrawing cash funds from these subsidiaries in amounts substantially equivalent to current earnings through permission granted by the fiscal authorities in both countries. In the case of the English subsidiary, such earnings are after provision for contingencies amounting to \$174,600 for 1943.

The Company continues to produce large quantities of foods for the armed services and other Government Agencies. In last year's report it was stated that our Government contracts might be subject to renegotiation. The profits arising from such contracts for 1942 have been examined by the Price Adjustment Board of the War Department, found to be not excessive and a

final Renegotiation Agreement executed. As a result no adjustments of the profits for 1942 were necessary. We have no reason to believe that renegotiation of our transactions with the Government during the year 1943 will have any material effect on the net earnings herein reported.

In March, 1943 the Company's New York Plant was awarded the Army-Navy "E" in recognition of the outstanding work of its employees in the production of Field Rations and other special products for the armed forces. In September, the Silver Star was added.

As stated in previous reports, the nature of our business is such that inventories, both Raw Materials and Finished Product, can little exceed current needs, and the Company does not enter into future commitments at any time in such amount as to affect its financial position materially.

In June, 1943 the Company purchased the plant of the F. M. Martin Grain & Milling Company at Cheney, Washington, about fifteen miles south of Spokane. It has grain storage ca-



capacity of 300,000 bushels and flour milling capacity of 800 barrels per day. This enables us to supply the major portion of soft wheat flour used by our Pacific Coast bakeries economically and with the assurance of uniform quality.

The new bakeries in Atlanta, Ga. and Denver, Colo., together with the expanded manufacturing capacity of the bakeries in New York City, Cambridge, Mass. and San Francisco, Cal., have served us well during this year of great activity. The performance of our plants generally has fully justified the policy of always keeping our equipment in good working condition.

In the past year war conditions imposed many difficulties upon us as upon others in business. With increased demand for our products, our Purchasing Department experienced difficulty in keeping our plants supplied with raw materials. Some were not obtainable, necessitating the use of substitutes where practicable, while the use of others, such as sugar and shortening, was limited by rationing restrictions.

The Production Department had the problem of man-power. With the greatly increased demand, this department turned out a record volume in spite of the fact that nearly five thousand of our experienced employees are in the armed forces.

Since the demand for our products in 1943 exceeded the supply, particularly of sweet varieties, the Sales Department had to exercise great care to see that available merchandise was fairly distributed among our customers. Government restrictions on the use of automobile trucks handicapped them in making delivery of the increased volume but they succeeded to the general satisfaction of the trade.

The results obtained in a trying year reflect the team-work of the various departments of the Company.

The Consolidated Balance Sheet of the Company at December 31, 1943, and the Income and Surplus Statement on the following pages, show the financial condition of the Company at the close of its 46th year.

ROY E. TOMLINSON, *President.*

CONSOLIDATED

	ASSETS	
	December 31, 1943	December 31, 1942
Cash . . . . .	\$13,549,024.07	\$15,290,626.29
U. S. Bonds . . . . . (Quoted Market 12-31-43—\$17,132,606.40)	17,008,000.00	14,697,500.00
Other Bonds . . . . . (Quoted Market 12-31-43—\$637,313.76) Note: \$675,500.00 Principal Amount U. S. and Other Bonds deposited for special reasons.	633,791.26	321,166.26
Accounts Receivable . . . . .	6,503,202.20	7,366,985.04
Raw Materials, Supplies and Finished Product . . . . . (At Cost or Market, whichever is lower, less Special Inventory Reserve of \$1,019,381.51 charged to prior earnings.)	25,649,275.84	19,565,430.96
Total Current Assets . . . . .	63,343,293.37	57,241,708.55
Notes and Mortgages Receivable . . . . .	140,502.57	165,720.72
Post-War Refund of Excess Profits Taxes . . . . . (United States \$1,542,000.00; Canada \$199,683.45)	1,741,683.45	802,434.90
Plants, Real Estate, Machinery, Intangibles, etc. . . . . (At Cost in Cash or Capital Stock, Less Allowances for Depreciation.)	74,501,770.61	79,001,613.57
Prepaid Expenses and Deferred Charges . . . . .	677,772.71	901,590.06
Total . . . . .	\$140,405,022.71	\$138,113,067.80

NOTE: See comments in President's report regarding  
 (a) the Company's investments in and earnings of Subsidiaries in Canada and England.  
 (b) the Company's contracts with U. S. Government.



# BALANCE SHEET

## LIABILITIES

	December 31, 1943	December 31, 1942
Accounts Payable . . . . .	\$4,797,316.92	\$3,740,366.31
(Purchase Invoices, Pay Rolls and other Accruals not due for payment.)		
Common Dividend, Payable January 15, 1944 . . . . .	1,886,834.40	1,886,834.40
Reserve for Federal and Foreign Income and Excess Profits Taxes . . . . .	16,727,561.88	15,962,691.01
Total Current Liabilities . . . . .	23,411,713.20	21,589,891.72
Insurance and Contingent Reserve . . . . .	8,171,217.54	8,014,793.57
Post-War Contingent Reserve . . . . .	1,741,683.45	802,434.90
Capital Stock, Preferred . . . . .	24,804,500.00	24,804,500.00
(Par Value \$100.00—7% Cumulative) Shares authorized 250,000, issued 248,045		
Capital Stock, Common . . . . .	62,894,480.00	62,894,480.00
(Par Value \$10.00) Shares authorized 12,000,000, issued 6,289,448		
Earned Surplus . . . . .	9,725,414.98	10,350,954.07
Capital Surplus . . . . .	9,656,013.54	9,656,013.54
Total . . . . .	<u>\$140,405,022.71</u>	<u>\$138,113,067.80</u>

# CONSOLIDATED INCOME AND EARNED SURPLUS

YEAR — 1943

## Earnings for the year 1943:

From Operations . . . . .	\$27,949,719.96	
Other Income . . . . .	335,443.08	
Total . . . . .		\$28,285,163.04

## Less:

Depreciation . . . . .	3,279,450.95	
Provision for Federal and Foreign Income and Excess Profits Taxes (including \$7,950,000.00 Federal Excess Profits Tax) . . . . .	15,148,752.15	
Foreign Exchange Adjustments . . . . .	198,846.43	18,627,049.53

Earnings for the year before Tax Credits. . . . .		9,658,113.51
---	--	--------------

Excess Profits Taxes in the United States and Canada Refundable After the War . . . . .		939,248.55
--	--	------------

Net Earnings for the Year . . . . .		10,597,362.06
-------------------------------------	--	---------------

## Less:

Write-down of Plants, Real Estate, Machinery, Intangibles, etc. Account, in addition to above depreciation allowance . . . . .	1,000,000.00	
Provision for Post-War Contingencies . . . . .	939,248.55	1,939,248.55

Balance of Net Earnings credited to Surplus . . . . .		8,658,113.51
---	--	--------------

Earned Surplus December 31, 1942 . . . . .		10,350,954.07
--	--	---------------

		19,009,067.58
--	--	---------------

## Less:

Preferred Dividends Paid . . . . .	1,736,315.00	
Common Dividends Paid . . . . .	5,660,503.20	
Common Dividend, Payable January 15, 1944 . . . . .	1,886,834.40	9,283,652.60

Earned Surplus December 31, 1943 . . . . .		\$9,725,414.98
--	--	----------------

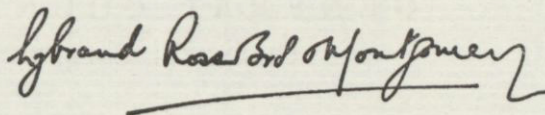


## REPORT OF AUDITORS

*To the Stockholders of*  
NATIONAL BISCUIT COMPANY,  
NEW YORK, N. Y.

We have examined the consolidated balance sheet of National Biscuit Company and its subsidiary companies as of December 31, 1943, and the consolidated statement of income and surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. It was not practicable to confirm receivables from United States Government departments and agencies, as to which we have satisfied ourselves by means of other auditing procedures. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statement of income and surplus present fairly the consolidated position of National Biscuit Company and its subsidiary companies at December 31, 1943, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

  
Lybrand Rose and Montgomery

New York, N. Y.

February 5, 1944

## BOARD OF DIRECTORS

CHARLES C. AUCHINCLOSS

FREDERICK BEERS

HENRY J. COCHRAN

FRANKLIN D'OLIER

ROBERT A. FAIRBAIRN

ROY C. GASSER

HOWARD M. HANNA

EDWARD F. LOW

FRANK K. MONTGOMERY

EDWARD S. MOORE

PAUL MOORE

ALEXANDER C. NAGLE

LIVINGSTON PLATT

ROY E. TOMLINSON

WYNANT D. VANDERPOOL

## OFFICERS

ROY E. TOMLINSON, *President*

FRANK K. MONTGOMERY, *Exec. Vice Pres.*

CHARLES P. MONTGOMERY, *Exec. Vice Pres.*

FREDERICK BEERS, *Vice Pres.*

HOWARD B. CUNNINGHAM, *Vice Pres.*

ALFRED W. KASTEN, *Vice Pres.*

ALEXANDER A. McCURRY, *Vice Pres.*

CLYDE S. STILWELL, *Vice Pres.*

ERNEST B. TOMLINSON, *Vice Pres.*

JOHN J. TOOMEY, *Vice Pres.*

GEORGE A. MITCHELL, *Controller*

CHARLES F. BLISS, *Secretary*

HENRY C. TAYLOR, *Treasurer*

FREDERICK F. BRODESSER, *Asst.  
Secretary and Asst. Treasurer*

## GENERAL COUNSEL

GEORGE H. COPPERS

TRANSFER AGENT

GUARANTY TRUST COMPANY

NEW YORK

REGISTRAR

FIRST NATIONAL BANK

NEW YORK





